

**REPORT OF THE AUDIT OF THE
HOPKINS COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People

of Kentucky

Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administrative Cabinet
Honorable Donald E. Carroll, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Hopkins County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Pubic Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HOPKINS COUNTY FISCAL COURT

June 30, 2011

Tichenor & Associates, LLP has completed the audit of the Hopkins County Fiscal Court for fiscal year ended June 30, 2011. We have issued unqualified opinions, based on our audit and the report of the other auditors, on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$20,222,475 as of June 30, 2011. The fiscal court had unrestricted net assets of \$9,468,649 in its governmental activities as of June 30, 2011, with total net assets of \$20,094,782. In its business-type activities, total net cash and cash equivalents were \$56,374 with total net assets of \$127,693. The fiscal court's discretely presented component unit had net assets of \$460,153 as of June 30, 2011. The discretely presented component unit had net cash and cash equivalents of \$477,292. The fiscal court had total debt principal as of June 30, 2011 of \$25,545,000 with \$1,630,000 due within the next year.

Deposits:

The fiscal court and component unit deposits were insured and collateralized by bank securities or bonds as of June 30, 2011.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
HOPKINS COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
NOTES TO FINANCIAL STATEMENTS.....	37
BUDGETARY COMPARISON SCHEDULES	55
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	59
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	63
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775
FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Donald E. Carroll, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hopkins County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hopkins County Tourist and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Hopkins County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, are prepared in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are as follows:

- 7% increase in total assets, 100% increase in liabilities, 22% increase in revenues, and 13% increase in expenses.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Donald E. Carroll, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

In our opinion, based upon our audit and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined had the Hopkins County Tourist and Convention Commission been prepared using the same basis of accounting as Hopkins County, Kentucky, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of Hopkins County, Kentucky, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2011 on our consideration of Hopkins County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

November 18, 2011

HOPKINS COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Donald E. Carroll	County Judge/Executive
Karol Welch	Magistrate
William Groves	Magistrate
Christopher Toney	Magistrate
Larry Wilson	Magistrate
Shaun Roberts	Magistrate
Charlie Beshears	Magistrate
Maurice Wilson	Magistrate

Other Elected Officials:

Todd P'Pool	County Attorney
Joe Blue	Jailer
Devra Steckler	County Clerk
Karen L. McKnight	Circuit Court Clerk
Frank Latham	Sheriff
Margaret Brown	Property Valuation Administrator
Dennis Mayfield	Coroner

Appointed Personnel:

Cindy Jones	County Treasurer
Bette Arison	Jail Administrative Assistant

THIS PAGE LEFT BLANK INTENTIONALLY

HOPKINS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

HOPKINS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Hopkins County Tourist And Convention Commission
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 19,867,007	\$ 56,374	\$ 19,923,381	\$ 477,292
Receivables (net of allowances)				35,354
Total Current Assets	19,867,007	56,374	19,923,381	512,646
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress	8,036,642		8,036,642	
Land	1,596,564		1,596,564	
Buildings	8,742,154		8,742,154	
Vehicles	857,526	46,191	903,717	
Equipment	1,770,473	25,128	1,795,601	981
Infrastructure	4,769,416		4,769,416	
Total Noncurrent Assets	25,772,775	71,319	25,844,094	981
Total Assets	45,639,782	127,693	45,767,475	513,627
LIABILITIES				
Current Liabilities:				
Payroll Liabilities				1,345
Due to Hopkins Co. Fair, Inc.				17,129
Payable to Soccer Complex Land				35,000
Bonds Payable	1,630,000		1,630,000	
Total Current Liabilities	1,630,000		1,630,000	53,474
Noncurrent Liabilities:				
Bonds Payable	23,915,000		23,915,000	
Total Noncurrent Liabilities	23,915,000		23,915,000	
Total Liabilities	25,545,000		25,545,000	53,474
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	10,626,133	71,319	10,697,452	981
Restricted For:				
Other Purposes		8,089	8,089	
Unrestricted	9,468,649	48,285	9,516,934	459,172
Total Net Assets	\$ 20,094,782	\$ 127,693	\$ 20,222,475	\$ 460,153

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HOPKINS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

HOPKINS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,642,797	\$ 71,908	\$ 652,350	\$ 1,515,554
Protection to Persons and Property	5,422,752	2,779,539	634,873	
General Health and Sanitation	1,325,883	184,319	11,009	
Social Services	256,022			
Recreation and Culture	747,053		513,909	
Roads	2,996,029	100	5,087,757	
Debt Service	1,212,300			
Capital Projects	184,086			
Total Governmental Activities	17,786,922	3,035,866	6,899,898	1,515,554
Business-type Activities:				
Jail Canteen	373,634	390,481		
Total Business-type Activities	373,634	390,481		
Total Primary Government	\$ 18,160,556	\$ 3,426,347	\$ 6,899,898	\$ 1,515,554
Component Units:				
Hopkins County Tourist and Convention Commission	\$ 147,130	\$	\$ 34,916	\$
Total Component Units	\$ 147,130	\$ 0	\$ 34,916	\$ 0

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Insurance Premium Tax
Excess Fees
Transient Room Tax
Other Taxes

Interest

Miscellaneous Revenues
Transfer of Capital Asset from
Governmental Activities
Transfer out to Primary Government

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Totals	Hopkins County Tourist And Convention Commission
\$ (3,402,985)	\$	\$ (3,402,985)	\$
(2,008,340)		(2,008,340)	
(1,130,555)		(1,130,555)	
(256,022)		(256,022)	
(233,144)		(233,144)	
2,091,828		2,091,828	
(1,212,300)		(1,212,300)	
(184,086)		(184,086)	
(6,335,604)		(6,335,604)	
	16,847	16,847	
	16,847	16,847	
(6,335,604)	16,847	(6,318,757)	
			(112,214)
			\$ (112,214)
2,394,654		2,394,654	
467,599		467,599	
271,554		271,554	
2,567,901		2,567,901	
2,006,467		2,006,467	
			159,300
712,185		712,185	
177,095		177,095	2,178
308,127		308,127	
	21,343	21,343	
			(35,000)
8,905,582	21,343	8,926,925	126,478
2,569,978	38,190	2,608,168	14,264
17,524,804	89,503	17,614,307	445,889
\$ 20,094,782	\$ 127,693	\$ 20,222,475	\$ 460,153

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HOPKINS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

HOPKINS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Hopkins Co. Public Properties Corporation
ASSETS					
Cash and Cash Equivalents	\$ 6,466,278	\$ 1,132,949	\$ 822,903	\$ 1,155,634	\$ 10,289,243
Total Assets	<u>6,466,278</u>	<u>1,132,949</u>	<u>822,903</u>	<u>1,155,634</u>	<u>10,289,243</u>
FUND BALANCES					
Restricted For:					
Capital Projects					10,289,243
Assigned To:					
Recreation and Culture				1,155,634	
Protection to Persons and Property			822,903		
Roads		1,132,949			
Unassigned	<u>6,466,278</u>				
Total Fund Balances	<u>\$ 6,466,278</u>	<u>\$ 1,132,949</u>	<u>\$ 822,903</u>	<u>\$ 1,155,634</u>	<u>\$ 10,289,243</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 19,867,007
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	36,898,850
Accumulated Depreciation	(11,126,075)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Bonds	<u>(25,545,000)</u>
Net Assets Of Governmental Activities	<u>\$ 20,094,782</u>

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011
(Continued)

Total Governmental Funds
<hr/>
\$ 19,867,007
<hr/>
19,867,007
<hr/>
10,289,243
1,155,634
822,903
1,132,949
<hr/> 6,466,278
<hr/>
\$ 19,867,007
<hr/>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 6,351,204	\$	\$	\$
Licenses and Permits	71,908			1,125
Intergovernmental	2,721,506	2,763,838	3,221,803	2,848,837
Charges for Services			192,609	183,194
Miscellaneous	65,774	23,051	123,090	90,512
Interest	108,066	5,563	2,649	7,758
Total Revenues	<u>9,318,458</u>	<u>2,792,452</u>	<u>3,540,151</u>	<u>3,131,426</u>
EXPENDITURES				
Current:				
General Government	3,802,732			85,000
Protection to Persons and Property	408,066		3,655,825	304,105
General Health and Sanitation	7,707			1,283,610
Social Services				254,622
Recreation and Culture	12,071			459,525
Roads		2,383,451		
Debt Service:				
Principal			665,000	
Interest			292,619	
Capital Projects	798	350,479		
Administration	1,569,628	421,487	957,909	275,457
Total Expenditures	<u>5,801,002</u>	<u>3,155,417</u>	<u>5,571,353</u>	<u>2,662,319</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,517,456</u>	<u>(362,965)</u>	<u>(2,031,202)</u>	<u>469,107</u>
Other Financing Sources (Uses)				
Bond Proceeds				
Bond Discount				
Payment to Escrow Agent				
Transfers From Other Funds		1,000,000	2,200,000	
Transfers To Other Funds	(3,200,000)			
Total Other Financing Sources (Uses)	<u>(3,200,000)</u>	<u>1,000,000</u>	<u>2,200,000</u>	
Net Change in Fund Balances	317,456	637,035	168,798	469,107
Fund Balances - Beginning (Restated)	6,148,822	495,914	654,105	686,527
Fund Balances - Ending	<u>\$ 6,466,278</u>	<u>\$ 1,132,949</u>	<u>\$ 822,903</u>	<u>\$ 1,155,634</u>

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Hopkins Co.	Non-Major	
Public Properties	Fund	
Corporation	Judicial Center	Total
	Construction	Governmental
	Fund	Funds
\$	\$	\$
		6,351,204
		73,033
1,515,554		13,071,538
		375,803
	5,800	308,227
53,059		177,095
1,568,613	5,800	20,356,900
		3,887,732
		4,367,996
		1,291,317
		254,622
		471,596
		2,383,451
		665,000
555,163		847,782
5,843,883	22,334	6,217,494
163,367		3,387,848
6,562,413	22,334	23,774,838
(4,993,800)	(16,534)	(3,417,938)
19,018,000		19,018,000
(201,151)		(201,151)
(3,931,731)		(3,931,731)
5,925		3,205,925
	(5,925)	(3,205,925)
14,891,043	(5,925)	14,885,118
9,897,243	(22,459)	11,467,180
392,000	22,459	8,399,827
\$ 10,289,243	\$ 0	\$ 19,867,007

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

HOPKINS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 11,467,180
--	---------------

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	7,131,000
Depreciation Expense	(1,579,590)
Assets disposed of, net book value	(27,343)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Bond Proceeds	(19,018,000)
Bond Principal Payments	<u>4,596,731</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 2,569,978</u></u>
---	----------------------------

THIS PAGE LEFT BLANK INTENTIONALLY

HOPKINS COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

HOPKINS COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

	Business-Type Activities - Enterprise Fund	Jail Canteen Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 56,374	
Total Current Assets	<u>56,374</u>	
Noncurrent Assets:		
Capital Assets:		
Vehicles	123,341	
Equipment	42,401	
Less Accumulated Depreciation	<u>(94,423)</u>	
Total Noncurrent Assets	<u>71,319</u>	
Total Assets	<u>127,693</u>	
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	71,319	
Restricted	8,089	
Unrestricted	<u>48,285</u>	
Total Net Assets	<u>\$ 127,693</u>	

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 373,924
Total Operating Revenues	<u>373,924</u>
Operating Expenses	
Cost of Sales	213,203
Educational and Recreational	33,577
Depreciation	32,858
Miscellaneous	<u>31,029</u>
Total Operating Expenses	<u>310,667</u>
Operating Income (Loss)	<u>63,257</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	16,557
Inmate Refunds	(58,517)
Transfer of Capital Asset from Governmental Activities	21,343
Loss on Disposal	<u>(4,450)</u>
Total Nonoperating Revenues (Expenses)	<u>(25,067)</u>
Change In Net Assets	38,190
Total Net Assets - Beginning	<u>89,503</u>
Total Net Assets - Ending	<u><u>\$ 127,693</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HOPKINS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

HOPKINS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 373,924
Cost of Sales	(213,203)
Educational and Recreational	(33,577)
Miscellaneous	(31,029)
Net Cash Provided By Operating Activities	<u>96,115</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	16,557
Inmate Refunds on Accounts	(58,517)
Net Cash Provided By Noncapital Financing Activities	<u>(41,960)</u>
Cash Flows From Capital and Related Financing Activities	
Capital Assets Purchased	(49,605)
Net Cash (Used) Provided By Capital and Related Financing Activities	<u>(49,605)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,550
Cash and Cash Equivalents - July 1, 2010	<u>51,824</u>
Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 56,374</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 63,257
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>32,858</u>
Net Cash Provided By Operating Activities	<u><u>\$ 96,115</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	37
NOTE 2.	DEPOSITS	44
NOTE 3.	CAPITAL ASSETS	45
NOTE 4.	INTERFUND TRANSFERS	34
NOTE 5.	LONG-TERM DEBT	35
NOTE 6.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS	49
NOTE 7.	COMMITMENTS AND CONTINGENCIES	50
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	50
NOTE 9.	DEFERRED COMPENSATION.....	51
NOTE 10.	INSURANCE.....	39
NOTE 11.	RELATED PARTY TRANSACTIONS.....	52
NOTE 12.	PRIOR YEAR ADJUSTMENTS	52
NOTE 13.	CHANGE IN ACCOUNTING PRINCIPLES	52
NOTE 14.	TRANSFER TO PRIMARY GOVERNMENT	52

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The Hopkins County Tourist and Convention Commission is a discretely presented component unit of Hopkins County, Kentucky and its financial statements are presented in accordance with the accrual basis of accounting. Under this basis of accounting, revenues and expenses are recorded when earned or incurred without regard to the timing of cash.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Hopkins County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Hopkins County Public Properties Corporation

Hopkins County Public Properties Corporation (Corporation) is a legally separate entity established for the purpose of construction of the Judicial Center Project and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the Fiscal Court is financially accountable and legally obligated for the debt of the Hopkins County Public Properties Corporation. Financial information for the Hopkins County Public Properties Corporation is blended within Hopkins County's financial statements.

Discretely Presented Component Unit

The financial data of the Hopkins County Tourist and Convention Commission is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Fiscal Court's primary government.

Hopkins County Tourist and Convention Commission

Hopkins County Fiscal Court established the Hopkins County Tourist and Convention Commission pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Hopkins County. The Hopkins County Tourist and Convention Commission board is composed of seven members appointed by the Hopkins County Fiscal Court from the local hotel and motel industries, the local restaurant industries, the local chamber of commerce and one at large member. The Hopkins County Tourist and Convention Commission's governing body is substantially different from the Fiscal Court. However, the Hopkins County Tourist and Convention Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Hopkins County Tourist and Convention Commission's major source of revenue is transient room tax. The Hopkins County Fiscal Court enacted a transient room tax ordinance on January 16, 2003.

The Fiscal Court currently imposes a 4% tax for the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or other like or similar accommodation businesses. Due to this fiscal dependency the Fiscal Court has included the Hopkins County Tourist and Convention Commission as a component unit. The Hopkins County Tourist and Convention Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Hopkins County Tourist and Convention Commission is presented discretely.

Audited financial statements for the Hopkins County Tourist and Convention Commission, a discretely presented component unit, may be requested by contacting the Hopkins County Fiscal Court.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Hopkins County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Hopkins County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Hopkins County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Hopkins County Public Properties Corporation - The purpose of this fund is to account for the construction costs for the Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major fund: Judicial Center Construction Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Capital Projects Fund:

The Judicial Center Construction Fund is presented as a Capital Projects Fund and is used to account for construction costs of the Hopkins County Judicial Center.

Debt Service Fund:

The Hopkins County Public Properties Corporation, a discretely presented component unit of the county, is used to issue debt and for payment of long-term debt in building the Judicial Center.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Hopkins County Tourist and Convention Commission.

The component unit is presented in a separate column in the combined financial statements. It is also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investment (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, equipment, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	25,000	10-75
Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the County using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the County issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the County Treasurer to carry out the intent of the Fiscal Court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the Fiscal Court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Justice Center Corporation Fund to be budgeted because bond indentures require specific payments to and from this fund annually.

The State Local Finance Officer does not require the Hopkins County Public Properties Corporation Fund to be budgeted because bond indentures require specific payments to and from this fund annually.

J. Jointly Governed Organizations

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following is considered a jointly governed organization of Hopkins County Fiscal Court: Hopkins County Joint Planning Commission.

Note 2. Deposits

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2011, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

As of June 30, 2011, all deposits of the discretely presented component unit were covered by FDIC insurance.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,596,564	\$	\$	\$ 1,596,564
Construction In Progress	2,003,234	6,033,408		8,036,642
Total Capital Assets Not Being Depreciated	3,599,798	6,033,408		9,633,206
Capital Assets, Being Depreciated:				
Buildings and Improvements	13,242,161			13,242,161
Vehicles	1,912,965	264,441	(109,168)	2,068,238
Equipment	3,941,620	569,831	(83,702)	4,427,749
Infrastructure	7,264,176	263,320		7,527,496
Total Capital Assets Being Depreciated	26,360,922	1,097,592	(192,870)	27,265,644
Less Accumulated Depreciation For:				
Buildings and Improvements	(4,159,526)	(340,481)		(4,500,007)
Vehicles	(1,048,780)	(243,757)	81,825	(1,210,712)
Equipment	(2,335,394)	(405,584)	83,702	(2,657,276)
Infrastructure	(2,168,312)	(589,768)		(2,758,080)
Total Accumulated Depreciation	(9,712,012)	(1,579,590)	165,527	(11,126,075)
Total Capital Assets, Being Depreciated, Net	16,648,910	(481,998)	(27,343)	16,139,569
Governmental Activities Capital Assets, Net	\$ 20,248,708	\$ 5,551,410	\$ (27,343)	\$ 25,772,775

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 204,811
Protection to Persons and Property	473,454
General Health and Sanitation	34,566
Social Services	1,400
Roads, Including Depreciation of General Infrastructure Assets	865,359
Total Depreciation Expense - Governmental Activities	<u>\$ 1,579,590</u>

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for Business-Type Activities for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 90,318	\$ 50,523	\$ (17,500)	\$ 123,341
Equipment	53,220	20,425	(31,244)	42,401
Total Capital Assets Being Depreciated	143,538	70,948	(48,744)	165,742
Less Accumulated Depreciation For:				
Vehicles	(76,220)	(18,429)	17,499	(77,150)
Equipment	(29,639)	(14,429)	26,795	(17,273)
Total Accumulated Depreciation	(105,859)	(32,858)	44,294	(94,423)
Total Capital Assets, Being Depreciated, Net	37,679	38,090	(4,450)	71,319
Business-Type Activities Capital Assets, Net	<u>\$ 37,679</u>	<u>\$ 38,090</u>	<u>\$ (4,450)</u>	<u>\$ 71,319</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 32,858</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 32,858</u>

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity of the discretely presented component unit for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Unit</u>				
Capital Assets, Being Depreciated:				
Other Equipment	\$ 6,648	\$	\$	\$ 6,648
Total Capital Assets Being Depreciated	6,648			6,648
Less Accumulated Depreciation For:				
Other Equipment	(4,337)	(1,330)		(5,667)
Total Accumulated Depreciation	(4,337)	(1,330)		(5,667)
Total Capital Assets, Being Depreciated, Net	2,311	(1,330)		981
Governmental Activities Capital Assets, Net	\$ 2,311	\$ (1,330)	\$ 0	\$ 981

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Hopkins County Tourist and Convention Commission	<u>\$ 1,330</u>
Total Depreciation Expense - Business Activities	<u>\$ 1,330</u>

Note 4. Interfund Transfers

The table below shows the interfund transfers for fiscal year 2011.

Transfers In	Transfers Out
	General Fund
Road Fund	\$ 1,000,000
Jail Fund	<u>2,200,000</u>
Total Transfers Out	<u>\$ 3,200,000</u>

Reason for transfers:

- 1) to move resources from the General Fund, for budgetary purposes, to the fund that will expend them.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt

A. General Obligation Refunding Bonds, Series 2005

The fiscal court issued obligations, dated June 1, 2005 and payable in 15 annual installments beginning February 1, 2006, and semi-annual interest payments on the first of February and August at varying rate from 3% to 4%. The fiscal court issued the bonds for the purpose of advanced refunding of all outstanding County of Hopkins, Kentucky General Obligation bonds (Detention Facility Project), Series 2000 and paying the associated costs of issuing the bonds. As of June 30, 2011, bonds outstanding were \$7,110,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 685,000	\$ 292,619
2013	705,000	271,006
2014	730,000	247,888
2015	760,000	223,213
2016	780,000	169,200
2017-2020	3,450,000	352,000
Totals	<u>\$ 7,110,000</u>	<u>\$ 1,555,926</u>

B. General Obligation Bond Anticipation Notes, Series 2008

On April 22, 2008, the Hopkins County Fiscal Court approved an ordinance authorizing and approving the issuance of General Obligation Bond Anticipation Notes, Series 2008 in the amount of \$5,000,000. The purpose of these bonds is to provide interim financing for the construction of a Judicial Center located in Hopkins County, Kentucky. On June 23, 2008, the Hopkins County Fiscal Court issued the General Obligation Bonds Anticipation Notes, Series 2008 in the amount of \$5,000,000. Advances are made on an as needed basis. The maturity date of the note has been extended to August 1, 2010 and bears 3.19% interest. This note was paid in full by the issuance of First Mortgage Revenue Bonds (Judicial Center Project), Series 2010 on July 1, 2010.

C. First Mortgage Revenue Bonds (Judicial Center Project), Series 2010

On June 1, 2010, Hopkins County Public Properties Corporation issued \$19,410,000 of First Mortgage Revenue Bonds (Judicial Center Project), Series 2010, for the purpose of acquiring, constructing, and equipping a new Judicial Center. The bonds will mature on June 30, 2027. Interest is payable each June 1 and December 1. As of June 30, 2011, bonds outstanding were \$18,435,000. Future principal and interest requirements are:

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

C. First Mortgage Revenue Bonds (Judicial Center Project), Series 2010 (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 945,000	\$ 569,650
2013	960,000	550,750
2014	980,000	531,550
2015	1,000,000	511,950
2016	1,020,000	491,950
2017-2021	5,545,000	2,017,200
2022-2026	6,530,000	1,034,500
2027	1,455,000	58,200
Totals	<u>\$ 18,435,000</u>	<u>\$ 5,765,750</u>

D. Changes In Long-term Liabilities

Long-term liability activity of the primary government for the year ended June 30, 2011, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 7,775,000	\$	\$ 665,000	\$ 7,110,000	\$ 685,000
Revenue Bonds	392,000	19,018,000	975,000	18,435,000	945,000
Bond Anticipation Notes, Series 2008	2,956,731		2,956,731		
Governmental Activities					
Long-term Liabilities	<u>\$ 11,123,731</u>	<u>\$ 19,018,000</u>	<u>\$ 4,596,731</u>	<u>\$ 25,545,000</u>	<u>\$ 1,630,000</u>

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$847,782 in interest on bonds.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Commitments and Contingencies

A. Ambulance Service Contract

The Medical Center Ambulance Service, Incorporated (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, and such lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the lease, the county is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the County. MCAS has agreed to provide suitable and necessary ambulance service on a twenty-four hour basis to the residents of Hopkins County and to other persons requiring such service while in Hopkins County.

Under the lease agreement between MCAS and Hopkins County, the county has agreed to reimburse MCAS during the term of the lease for losses incurred in its' operation. The county's obligation is limited to the amount budgeted in any given year. The amount included in the budget may not go below \$66,272. MCAS records such subsidy as a reduction of the excess of expenses over revenues in the year in which such excess expenses incurred.

B. Hopkins County Regional Landfill

The Hopkins County Regional Landfill operates under a verbal agreement with Hopkins County. The term of the agreement is for one year, and is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the agreement, the Hopkins County Regional Landfill is to provide waste management services for the county and the citizens of Hopkins County, Kentucky. The Hopkins County Regional Landfill has also agreed to pay licensing fees to the county as mandated in ordinance 2006-10. As of June 30, 2011 both parties were in compliance with this agreement.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent.

The county's contribution for FY 2009 was \$1,090,309, FY 2010 was \$1,237,548, and FY 2011 was \$1,273,855.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Employee Retirement System (Continued)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

On February 24, 2000, the Hopkins County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Deferred Compensation (Continued)

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2011, Hopkins County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Related Party Transactions

The County entered into the following related party transaction, which was approved by the Fiscal Court:

The County expended \$3,200 with Coleman Enterprise for storage of the County's voting machines. County Attorney Todd P'Pool's Stepfather owns Coleman Enterprise.

Note 12. Prior Year Adjustments

Beginning Net Assets for the Governmental Activities has been restated for the prior year due to voided checks totaling \$22,459, depreciation expense incorrectly posted totaling \$1,581, and debt proceeds incorrectly posted totaling \$392,000. The effect of this change is a decrease of \$367,960.

Beginning Fund Balance for the Judicial Center Construction Fund has been restated for the prior year due to voided checks. The effect of this change is an increase of \$22,459 in the Judicial Center Construction Fund.

Note 13. Change in Accounting Principles

The Hopkins County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classifications of fund balance on the Balance Sheet - Governmental Funds. The implementation also resulted in one fund previously presented as a special revenue fund that no longer meets the definition to be rolled into the General Fund. As a result, beginning fund balance for the General Fund has been increased for the addition of the previously reported Contingency Fund. The effect of the change is a total increase of \$2,927,362 in the General Fund.

Note 14. Transfer to Primary Government

On July 8, 2008, the Hopkins County Tourist and Convention Commission (Commission) transferred \$117,000 toward the purchase of 25 acres of undeveloped land in Hopkins County that will ultimately be used for a sports complex. The land was deeded directly to the Hopkins County Fiscal Court. The sales agreement called for an additional \$35,000 to be paid at such date when all personal property had been removed from the premise. The Commission expects to pay the remaining balance within sixty days of the fiscal year ended June 30, 2011.

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,920,610	\$ 5,920,610	\$ 6,351,204	\$ 430,594
Licenses and Permits	75,000	75,000	71,908	(3,092)
Intergovernmental Revenue	2,862,850	2,862,850	2,721,506	(141,344)
Miscellaneous	53,300	53,300	65,774	12,474
Interest	25,000	25,000	33,840	8,840
Total Revenues	8,936,760	8,936,760	9,244,232	307,472
EXPENDITURES				
General Government	4,096,233	4,191,324	3,802,732	388,592
Protection to Persons and Property	531,575	531,575	408,066	123,509
General Health and Sanitation	11,200	11,200	7,707	3,493
Recreation and Culture	20,350	20,350	12,071	8,279
Capital Projects	10,000	10,000	798	9,202
Administration	2,123,385	2,028,294	1,569,628	458,666
Total Expenditures	6,792,743	6,792,743	5,801,002	991,741
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	2,144,017	2,144,017	3,443,230	1,299,213
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds				
Transfers To Other Funds	(4,644,017)	(4,644,017)	(3,200,000)	1,444,017
Total Other Financing Sources (Uses)	(4,644,017)	(4,644,017)	(3,200,000)	1,444,017
Net Changes in Fund Balance	(2,500,000)	(2,500,000)	243,230	2,743,230
Fund Balance - Beginning	2,500,000	2,500,000	3,295,686	795,686
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,538,916	\$ 3,538,916

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,955,499	\$ 2,955,499	\$ 2,763,838	\$ (191,661)
Miscellaneous	1,800	1,800	23,051	21,251
Interest	4,500	4,500	5,563	1,063
Total Revenues	2,961,799	2,961,799	2,792,452	(169,347)
EXPENDITURES				
Roads	3,106,763	3,184,188	2,383,451	800,737
Capital Projects	1,500,000	1,500,000	350,479	1,149,521
Administration	528,800	451,375	421,487	29,888
Total Expenditures	5,135,563	5,135,563	3,155,417	1,980,146
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,173,764)	(2,173,764)	(362,965)	1,810,799
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,773,764	1,773,764	1,000,000	(773,764)
Total Other Financing Sources (Uses)	1,773,764	1,773,764	1,000,000	(773,764)
Net Changes in Fund Balance	(400,000)	(400,000)	637,035	1,037,035
Fund Balance - Beginning	400,000	400,000	495,914	95,914
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,132,949	\$ 1,132,949

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,144,950	\$ 3,144,950	\$ 3,221,803	\$ 76,853
Charges for Services	214,600	214,600	192,609	(21,991)
Miscellaneous	103,800	103,800	123,090	19,290
Interest	1,800	1,800	2,649	849
Total Revenues	3,465,150	3,465,150	3,540,151	75,001
EXPENDITURES				
Protection to Persons and Property	3,862,650	3,893,850	3,655,825	238,025
Debt Service	957,650	957,650	957,619	31
Administration	1,179,500	1,148,300	957,909	190,391
Total Expenditures	5,999,800	5,999,800	5,571,353	428,447
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(2,534,650)	(2,534,650)	(2,031,202)	503,448
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	2,134,650	2,134,650	2,200,000	65,350
Total Other Financing Sources (Uses)	2,134,650	2,134,650	2,200,000	65,350
Net Changes in Fund Balance				
	(400,000)	(400,000)	168,798	568,798
Fund Balance - Beginning	400,000	400,000	654,105	254,105
Fund Balance - Ending	\$ 0	\$ 0	\$ 822,903	\$ 822,903

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 1,500	\$ 1,500	\$ 1,125	\$ (375)
Intergovernmental Revenue	3,134,140	3,134,140	2,848,837	(285,303)
Charges for Services	136,000	136,000	183,194	47,194
Miscellaneous	76,300	76,300	90,512	14,212
Interest	5,300	5,300	7,758	2,458
Total Revenues	3,353,240	3,353,240	3,131,426	(221,814)
EXPENDITURES				
General Government	85,000	85,000	85,000	
Protection to Persons and Property	316,272	369,572	304,105	65,467
General Health and Sanitation	1,843,694	1,843,694	1,283,610	560,084
Social Services	555,377	555,377	254,622	300,755
Recreation and Culture	770,000	770,000	459,525	310,475
Roads	525,000	525,000		525,000
Capital Projects	200,000	200,000		200,000
Administration	393,500	340,200	275,457	64,743
Total Expenditures	4,688,843	4,688,843	2,662,319	2,026,524
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,335,603)	(1,335,603)	469,107	1,804,710
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	735,603	735,603		(735,603)
Total Other Financing Sources (Uses)	735,603	735,603		(735,603)
Net Changes in Fund Balances	(600,000)	(600,000)	469,107	1,069,107
Fund Balances - Beginning	60,000	60,000	686,527	626,527
Fund Balances - Ending	\$ (540,000)	\$ (540,000)	\$ 1,155,634	\$ 1,695,634

HOPKINS COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund:

Budgetary Basis - Revenues	\$ 9,244,232
Plus: Contingency Fund Revenues	<u>74,226</u>
Modified Cash Basis	<u><u>\$ 9,318,458</u></u>
Budgetary Basis - Ending Fund Balance	\$ 3,538,916
Plus: Contingency Fund Balance	<u>2,927,362</u>
Modified Cash Basis	<u><u>\$ 6,466,278</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

Honorable Donald E. Carroll, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 18, 2011. We did not audit the financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit of the Hopkins County Fiscal Court. Those financial statements were audited by other auditors whose report has been furnished to us. Hopkins County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the Hopkins County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hopkins County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hopkins County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hopkins County Fiscal Court's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hopkins County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

November 18, 2011

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

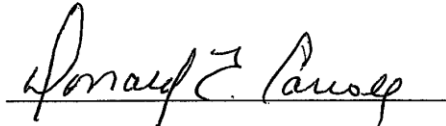
HOPKINS COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2011**

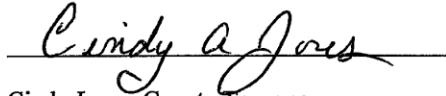
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HOPKINS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Hopkins County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, reading "Donald E. Carroll", written over a horizontal line.

Donald E. Carroll, County Judge/Executive

A handwritten signature in cursive script, reading "Cindy A. Jones", written over a horizontal line.

Cindy Jones, County Treasurer

